Catholic Foundation for the Diocese of Tucson
Financial Statements
For the Years Ended December 31, 2016 and December 2015

CATHOLIC FOUNDATION FOR THE DIOCESE OF TUCSON

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Foundation for the Diocese of Tucson

We have audited the accompanying financial statements of Catholic Foundation for the Diocese of Tucson (Foundation) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation for the Diocese of Tucson as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
April 12, 2017

CATHOLIC FOUNDATION FOR THE DIOCESE OF TUCSON
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

Assets	**2016**	**2015**
Current assets:		
Cash and cash equivalents	$ 4,467,292	$ 4,667,712
Investments	24,628,911	19,378,413
Investments - gift annuity	3,490,522	3,633,286
Promises to give	2,133,662	957,612
Due from Diocese of Tucson		898
Other assets	131,648	113,241
Total current assets	34,852,035	28,751,162
Noncurrent assets:		
Property and equipment, net of accumulated depreciation		1,370,655
Promises to give, net of allowance and discounts	1,318,905	1,565,399
Total noncurrent assets	1,318,905	2,936,054
Total assets	$ 36,170,940	$ 31,687,216
Liabilities		
Current liabilities:		
Accounts payable	$ 5,585	$ 17,204
Accrued expenses	535,474	251,998
Unearned campaign revenue	3,600	3,200
Annuity contract obligations	94,294	70,144
Custodial accounts	6,659,221	6,169,378
Total current liabilities	7,298,174	6,511,924
Noncurrent liabilities:		
Annuity contract obligations	3,456,412	3,478,051
Total liabilities	10,754,586	9,989,975
Net assets		
Unrestricted:		
Undesignated	5,696,495	3,366,075
Board designated	811,600	632,061
Net investment in property and equipment		1,370,655
Total unrestricted net assets	6,508,095	5,368,791
Temporarily restricted	9,562,743	7,001,236
Permanently restricted	9,345,516	9,327,214
Total net assets	25,416,354	21,697,241
Total liabilities and net assets	$ 36,170,940	$ 31,687,216

See accompanying notes to financial statements.

CATHOLIC FOUNDATION FOR THE DIOCESE OF TUCSON
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

				Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Revenue and other support:					
Annual Catholic Appeal	$	$ 4,037,140	$	$ 4,037,140	$ 4,003,024
Notre Dame ACE Academies		27,460		27,460	23,162
Cathedral Square		3,647,204		3,647,204	3,884,963
Contributions	136,740	13,644	9,364	159,748	5,935,520
Investment income	349,416	529,546	15,318	894,280	134,206
Rental revenue	52,960			52,960	211,839
Service fees, net	301,250			301,250	188,591
Annual dinner gala revenues	291,750			291,750	159,062
Gain on sale of capital assets	1,136,380			1,136,380	
Other revenue	6,340			6,340	6,490
Total revenue and support	2,274,836	8,254,994	24,682	10,554,512	14,546,857
Net assets released from restrictions	5,699,867	(5,693,487)	(6,380)		
Total revenue and other support	7,974,703	2,561,507	18,302	10,554,512	14,546,857
Expenses:					
Program services:					
Grants and contributions:					
Annual Catholic Appeal	3,090,000			3,090,000	3,090,000
Treasures of the Heart	8,507			8,507	2,890
Cathedral Square	1,678,426			1,678,426	
Other	516,505			516,505	718,090
Program management	330,597			330,597	599,323
Life annuity gift expense	179,646			179,646	561,687
Investment costs	261,430			261,430	186,002
Total program services	6,065,111			6,065,111	5,157,992
Supporting services:					
Management and general	454,624			454,624	405,496
Fundraising	213,139			213,139	179,684
Total supporting services	667,763			667,763	585,180
Total expenses	6,732,874			6,732,874	5,743,172
Change in net assets before other income (expenses)	1,241,829	2,561,507	18,302	3,821,638	8,803,685
Other expenses and losses:					
Direct costs of dinner gala	102,525			102,525	76,780
Total other expenses and losses	102,525			102,525	76,780
Change in net assets	1,139,304	2,561,507	18,302	3,719,113	8,726,905
Net assets, beginning of year	5,368,791	7,001,236	9,327,214	21,697,241	12,970,336
Net assets, end of year	$ 6,508,095	$ 9,562,743	$ 9,345,516	$ 25,416,354	$ 21,697,241

See accompanying notes to financial statements.

CATHOLIC FOUNDATION FOR THE DIOCESE OF TUCSON
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 3,719,113	$ 8,726,905
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	11,956	45,718
Net realized gain/(loss) on investments	735	18,592
Unrealized gain/(loss) on investments	743,836	(11,364)
Changes in assets and liabilities:		
Promises to give	(929,556)	(2,009,188)
Due from Diocese of Tucson	898	97,769
Other assets	(18,407)	(63,817)
Accounts payable	(11,619)	(15,058)
Unearned campaign revenue	400	1,025
Accrued expenses	283,476	220,006
Annuity contract obligations	2,511	1,808,283
Net cash provided by operating activities	3,803,343	8,818,871
Cash flows from investing activities:		
Proceeds from sale of investments	13,053,851	11,358,122
Purchases of investments	(17,276,754)	(19,072,390)
Interest on investments	219,140	102,792
Net cash provided by (used for) investing activities	(4,003,763)	(7,611,476)
Net increase (decrease) in cash and cash equivalents	(200,420)	1,207,395
Cash and cash equivalents, beginning of year	4,667,712	3,460,317
Cash and cash equivalents, end of year	$ 4,467,292	$ 4,667,712

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Catholic Foundation for the Diocese of Tucson (Foundation) was organized as a nonprofit corporation in July 2011 through a merger of the Diocese of Tucson Charity and Ministry Fund and the Catholic Foundation for the Diocese of Tucson to further the religious, charitable and educational activities of the Diocese of Tucson. Significant revenues are raised in the form of contributions from the parishioners, parishes and other religious organizations under the Diocese of Tucson and investment earnings.

Included in the accompanying financial statements are the following program activities:

- Annual Catholic Appeal – The Annual Catholic Appeal raises funds in the form of contributions from the parishioners, parishes and other religious organizations under the Diocese of Tucson. These funds are restricted to support the religious, charitable and educational activities of the Diocese of Tucson and its twenty-six ministries and departments. The appeal typically runs from January to December with fundraising efforts initially and allocations thereafter.

- Capital Campaigns – Capital campaigns are conducted to support specific long-term projects of the Foundation. Currently there are two capital campaign projects; Treasures of the Heart, a fundraising effort to renovate St. Augustine Cathedral located in Tucson, Arizona; and, the Notre Dame ACE Academies capital campaign, a fundraising effort for Catholic education primarily for three schools partnered with Notre Dame.

- Cathedral Square – The Foundation believes renovation of Cathedral Square is an essential component and contribution to the continued development of downtown Tucson and an important symbol of the history and future of the Catholic Church in southern Arizona. Funds raised will be used to renovate and preserve Cathedral Square. Specifically, funds will be used to renovate the Chapel and to build a 500 person capacity meeting facility for Diocesan and other gatherings.

- Endowment – The endowment consists of approximately 86 individual funds established for a variety of purposes that are funded through the underlying investment earnings.

The more significant accounting policies are described below.

A. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation

The Foundation prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Foundation reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets
Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in the corporate documents and its application for tax-exempt status, and any limits resulting from agreements with grantor agencies and others entered into in the course of its operations.

Temporarily Restricted Net Assets
Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future time period. The Foundation's unspent contributions are classified in this class if the donor limited their use.

Permanently Restricted Net Assets
Permanently restricted net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class.

C. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

D. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

F. Restricted and Unrestricted Revenue Support

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restriction.

G. Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

H. Investments

The Foundation carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Donated investments are valued at their fair value at the date of gift. Investment gains and losses are included in the change in net assets in the accompanying statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor-imposed stipulations or legal requirements.

I. Property and Equipment

All acquisitions of property and equipment with a cost in excess of $10,000, and all expenses for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

K. Donated Services

Support arising from donated services is recognized in the financial statements at their fair market value if the services require specialized skills and are provided by individuals possessing those skills and the services would typically need to be purchased if not donated.

Certain general and administrative support is provided to the Foundation by the Administrative Offices of the Diocese of Tucson. The estimated fair market value of this support is not recorded as revenue and expense as its fair market value is not material to these financial statements.

L. Promises to Give

Unconditional promises to give are recognized at their net realizable value in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give that are collectible over future periods are discounted to their net present value. The provision for uncollectible pledges is based on management's estimate of the collectability of specific accounts and the aging of promises to give. Promises to give are periodically reviewed for collectability and written off to the provision at the time of such determination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Income Tax Status

The Foundation is exempt from federal income tax as an organization other than private foundation under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Arizona Revised Statutes (A.R.S.). Annually, the Roman Catholic Church obtains an updated group ruling determination from the Internal Revenue Service based on an initial determination letter from 1946 that it is exempt from federal income tax. As an entity listed in the Official Catholic Directory, the Foundation is exempt from filing an IRS Form 990, *Return of Organization Exempt from Income Taxes*.

N. Subsequent Events

Subsequent events have been evaluated through April 12, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENT INCOME

Investment income consisted of the following for the current fiscal year.

Interest and dividends	$ 505,746
Net unrealized gains	743,836
Net realized gains	735
Total investment income	1,250,317
Less income applicable to custodial accounts	356,037
Total	$ 894,280

NOTE 3 – FAIR VALUE MEASUREMENTS

The Foundation places its cash and cash equivalents with high quality credit institutions, which at times, may be in excess of the FDIC and SPIC insurance limits. At year end, the Foundation's cash balances were covered by the FDIC.

The Foundation's policy is to maintain cash balances sufficient to liquidate custodial obligations and contract annuities as they arise in the near term. At December 31, 2016, the Foundation held $3,735,321 as cash for this purpose.

ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under ASC 820 are described as follows.

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include inputs that are market observable for the assets or liability other than quoted prices included in level 1.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement or assumption about pricing by market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level or any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Valuation Techniques. Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Private company equity classified in Level 3 is valued by external appraisals and is calculated quarterly. The appraisals are performed using generally accepted valuation approaches by an independent appraiser.

NOTE 3 – FAIR VALUE MEASUREMENTS

Investments in debt securities and equities with readily determinable fair values are carried at fair value. Fair values of assets measured on a recurring basis are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	$ 9,816,315	$	$ 9,816,315	$
Hedged fixed income	119,376		119,376	
U.S. securities	12,096,353	12,096,353		
International securities	3,896,960	3,614,802	282,158	
Hedged equity	162,405	162,405		
Real estate managed funds	1,668,894	1,668,894		
Venture capital partnership	359,130			359,130
Money market	731,971		731,971	
Total assets	$ 28,851,404	$ 17,542,454	$ 10,949,820	$ 359,130

Venture Capital Partnerships. The Foundation invests in a venture capital partnership to obtain high potential returns and diversification away from public equity markets. The fair value of the partnership has been estimated based on its net asset value, which is derived from the fair value of the underlying privately held companies. The fair value, which is calculated quarterly, has been adjusted for expected selling and administrative expenses of up to 1.25 percent annually. The Foundation is required to make quarterly contributions of $25,000 to the partnership up to $500,000. At December 31, 2016, the Foundation has contributed $467,150. The Foundation is restricted from redeeming this investment indefinitely; however, is permitted to transfer its ownership interest to another entity upon approval of the general partner at any time. The partnership agreement provides provisions allowing distributions to be made at the discretion of the general partner, as defined.

The venture capital partnership assets are measured at fair value on a recurring basis using significant unobservable inputs. The changes in the partnership assets are as follows.

	Venture Capital Partnership
Beginning of year	$ 476,995
Unrealized losses	(117,865)
End of year	$ 359,130

NOTE 4 – ENDOWMENTS

The Foundation's endowments consist of contributions received for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

A. Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purpose of the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Foundation
g. The investment policies of the Foundation

NOTE 4 – ENDOWMENTS

B. Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately eight percent annually. Actual returns in any given year may vary from this amount.

C. Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

D. Spending Policy

The Foundation has a policy of appropriating for distribution each year four percent of its endowment fund's average fair value over a three-year look back through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an average rate of three percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 4 – ENDOWMENTS

Changes in endowment net assets:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 632,061	$ 1,496,362	$ 9,327,214	$ 11,455,637
Investment income	12,948	200,567		213,515
Net appreciation, realized and unrealized	25,591	410,201	15,318	451,110
Total investment return	38,539	610,768	15,318	664,625
Contributions	176,000	13,644	9,364	199,008
Appropriation of endowment assets for expenditures	35,000	194,203	6,380	235,583
Administrative expenses		130,486		130,486
Endowment net assets, end of year	$ 811,600	$ 1,796,085	$ 9,345,516	$ 11,953,201

Temporarily restricted net assets:

	2016	2015
Bishop's discretion	$ 301,577	309,654
Children and elderly programs	603,150	586,369
Children's programs	27,337	27,129
Didinium scholarships	48,924	24,478
Diocesan elementary schools	57,316	55,193
Disadvantaged parishes	47,369	46,231
General diocesan purposes	64,860	63,974
Marriage counseling	145,492	136,404
Other	22,834	14,788
St. Andrew scholarships	21,158	16,860
Vocations	145,896	142,496
St. Joseph's Catholic Healthcare	310,172	72,786
Total endowment balance	1,796,085	1,496,362
Annual Catholic Appeal	383,158	799,962
Notre Dame ACE Academies	445,065	416,745
Treasures of the Heart		86,502
Cathedral Square	6,938,435	3,823,451
Our Lady's Chapel		378,214
Total temporarily restricted net assets	$ 9,562,743	$ 7,001,236

NOTE 4 – ENDOWMENTS

Permanently restricted net assets:

	2016	2015
Albert Beraud, Sr. Joseph Baron	$ 17,268	$ 17,268
Bishop Francis Green	58,441	58,441
Campbell scholarship	50,000	50,000
Charles Gallegos	18,570	12,170
Clara Read Memorial	1,576,877	1,572,968
Didinium scholarship	311,316	319,660
Education of Seminarians	336,082	334,332
Edward Rosetti Memorial	106,911	106,911
Endowment portion of life annuities		
General endowment	116,892	116,892
Hughes general Diocese	757,612	757,612
Joseph Baron	57,831	57,831
Laumer C. Leonard Catholic Education	220,215	220,215
Lopez Endowment	100,000	100,000
McAndrew annuity endowment	380,327	365,008
Notre Dame		4,000
Nursing home pastoral ministry		2,380
Robert and Ann Hout	65,000	65,000
St. Andrew K-12 scholarships	25,000	25,000
St. Andrew post high school scholarships	50,000	50,000
St. Joseph's Catholic Healthcare	5,005,648	5,000,000
St. Pancras	60,287	60,287
Youth ministry	31,239	31,239
Total permanently restricted	$ 9,345,516	$ 9,327,214

Service fees:

The Foundation charges 1.25 percent of the average balance in endowment and custodial accounts annually to manage the investment pools. Foundation fees charged during the year ended December 31, 2016 and 2015 were as follows.

	2016	2015
Total fees	$ 207,506	$ 159,979
Less service fees charged by third party on temporarily restricted investments	(77,020)	(60,468)
Net fees	$ 130,486	$ 99,511

NOTE 5 – PROMISES TO GIVE

Promises to give consist of pledges from individual donors for the Cathedral Square and Notre Dame ACE Academies capital campaign with a discount rate of five percent. At December 31, 2016, pledges receivable are as follows:

Receivable in less than one year	$ 2,133,662
Receivable in one to five years	1,424,242
Total unconditional promises to give	3,557,904
Less discounts to net present value	(103,227)
Less allowance for uncollectible promises receivable	(2,110)
Net unconditional promises to give	$ 3,452,567

NOTE 6 – ANNUITY CONTRACT OBLIGATIONS

The Foundation has established a gift annuity program in which the Foundation has entered into life annuity gift agreements with donors who make irrevocable gifts to the Foundation. Under the terms of the agreements, the Foundation receives lump sum amounts and agrees to make annual payments to the annuitants for their lifetime and/or their survivor's lifetime. The payments to the individuals are generally based on published rates and the gift values are based on rates established by the Internal Revenue Service which range from 4.4 percent to 10.6 percent. Annuitant payments are remitted monthly, quarterly, semi-annually or annually based on the terms of the agreements.

Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. During the year the Foundation recognized $144,706 of charitable gift income for new gift annuity agreements. The assets contributed under the charitable gift annuities are reported separately as investments in the accompanying statement of financial position and at carried fair value. Annuity obligations were determined by U.S. Bank using the 2000 CM mortality table with an assumed rate of interest of 1.8 percent.

NOTE 7 – CUSTODIAL ACCOUNTS

The custodial accounts are resources held by the Foundation on behalf of others.

	2016	2015
Parishes and missions	$ 903,472	$ 911,385
Schools and scholarships	5,319,562	5,078,277
Other agencies	436,187	179,716
Total custodial accounts	$ 6,659,221	$ 6,169,378

NOTE 8 – PENSION PLANS

The Foundation's employees have the option to participate in the defined benefit pension plan covering all employees of the Diocese of Tucson (a multi-employer plan). The pension plan does not provide separately calculated financial information for its participants; therefore, the actuarially computed value of the plan benefits and the net assets available for benefits applicable only to the Foundation’s employees is not available. As the Foundation had seven employees participating in the pension plan during 2016, management believes that any prepaid or underfunded benefit obligation applicable to the Foundation is not material to the financial statements and, accordingly, no amounts are reported at December 31, 2016. The Foundation incurred no pension plan expense during the year ended December 31, 2016.

The employees also have the option to participate in the defined contribution plan pursuant to Internal Revenue Code Section 403(b), which covers all employees of the Diocese of Tucson (a multi-employer plan). Employees are eligible to participate upon date of hire and can contribute up to the maximum allowed by the IRS, which was $18,000 for 2016. The Diocese of Tucson charges the Foundation 6.57 percent of vested salaries. This charge covers both matching and administrative expenses related to the defined contribution plan. Any additional funds remaining are applied to the pension plan. The Foundation will make matching contributions equal to 25 percent of the employee’s contributions up to a maximum of $1,000 per year. Employee and employer contributions vest immediately. The Foundation incurred defined contribution plan expenses of $21,082, which includes matching and administrative costs, for the year ended December 31, 2016.

NOTE 9 – RELATED PARTY TRANSACTIONS

In June 2003, the Foundation purchased a building from the Diocese of Tucson. Subsequent to the purchase of the building, the Foundation leased the building back in its entirety to the Diocese of Tucson charging it monthly rent payments. The building was sold in April of the fiscal year, and the lease agreement was terminated. Rental income totaled $52,960 for the year ended December 31, 2016.

NOTE 10 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016 and 2015:

	2015
Land	$ 245,250
Building	1,600,680
Furniture and equipment	61,589
Total property and equipment	1,907,519
Less accumulated depreciation and amortization	(536,864)
Net property and equipment	$ 1,370,655

In April 2016, the Foundation sold its land, building, and all related equipment to the Foundation for Senior Living for $2.5 million. A gain of $1.1 million was recognized as part of the sale. The Foundation will rent space from the Diocese of Tucson until the anticipated completion of the Cathedral Square project. A new lease agreement signed in January 2017 requires monthly rental payments of $3,981.

NOTE 11 – INSURANCE

In conjunction with certain other Catholic dioceses in the United States, the Diocese of Tucson implemented a self-insurance program and now provides insurance coverage for noncatastrophic property, casualty and workers' compensation losses. Therefore, any future authorized claims against the Foundation will be paid out of the self-insurance program's fund.